

September 11, 2000

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Mary Brown, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: SEPTEMBER 10, 2000 REVENUE COLLECTION REPORT

Slower revenue growth produced less General Fund-State receipts than expected in the August 11 – September 10 collection period. For the current month receipts were \$18.5 million below the June forecast. However, due to stronger than expected growth two months ago, cumulatively tax payments are \$10.1 million above expectations for the three months since the June forecast. Revenue Act (retail sales, use, business and occupation and public utility taxes) receipts and lottery transfers accounted for most of the shortfall this month. Cumulatively, most revenue sources are close to or slightly above expectations with the exception of property tax receipts and lottery transfers. Collection experience since the June forecast indicates that revenue is behaving about as expected.

Revenue Act sources were \$11.2 million below the estimate in the current period (primarily July 2000 business activity) but are still \$11.0 million higher than estimated for the three months since the June forecast. After strong increases early in calendar 2000, the growth of Revenue Act receipts has moderated the past two months. This month collections were only 2.9 percent above the year-ago level, adjusting for legislation and special factors. This follows last month's 3.7 percent adjusted increase. This period's increase was the weakest monthly gain since February 1998. Despite this month's weakness Revenue act collection growth has been strong since the beginning of the year, increasing on average 7.4 percent for the first six months of 2000 after growing 6.8 in the fourth quarter of 1999. The Washington economy is still healthy and the slower revenue growth was expected and at this point, is not a source of concern.

The construction (excluding heavy construction), manufacturing and transportation, communications and utilities sectors reported the strongest increase in activity based on preliminary data on taxes paid in the August 11 - September 10 period. The retail trade sector, for the second month in a row, grew slower than most other sectors. Within retailing, auto sales remained strong with nearly a 9 percent increase in tax payments. However, most other retail trade sectors were weak, with two, food stores and building materials and hardware, reporting year-over-year declines in tax payments this month.

Other General Fund taxes collected by the Department of Revenue were \$5.2 million below the estimate for the month. A shortfall in property tax (state levy), real estate excise tax and "other" revenue more than offset higher than expected timber excise tax and cigarette tax revenue. Despite this month's shortfall, cumulatively in the three months since the June forecast, non-revenue act taxes administered and collected by the Department of Revenue are \$8.0 million above the estimate. Most major revenue sources in this category are above or close to expectations with the exception of the property tax. In the three months since the June forecast property tax payments are \$6.5 million less than expected. Most of this shortfall is believed to be due to monthly volatility and will likely be offset later in the year.

Real estate payments weakened last month. Taxable real estate activity declined 10.0 percent statewide in July (July closings reflecting payments to the state in August) after falling 1.5 percent in June. For the first seven months of 2000, taxable activity is down 1.7 percent, with the number of transactions down 6.1 percent. Much of the weakness the last two months is attributable to slowing in King County. After increasing on average 7.8 percent in the first five months of calendar 2000, taxable real estate activity in King County declined 4.3 percent in June and 12.3 percent in July.

Other agencies' General Fund collections were \$2.1 million below the forecast in August. The Department of Licensing General Fund collections were \$134,000 below the estimate for the month and are \$394,000 less than expected since the June forecast. The Lottery's General Fund deposits were \$2.0 million below expectations in August and are now \$8.6 million below the estimate since June.

The attached Table 1 provides a comparison of collections with estimates for the current midmonth period, August 11- September 10, and cumulatively since our last forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

TABLE 1
Revenue Collection Report
August 11 - September 10, 2000 Collections Compared to the June 2000 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
August 11 - September 10, 2000				
Department of Revenue-Total	\$700,002	\$683,601	(\$16,401)	-2.3%
Revenue Act** (1)	625,827	614,623	(11,204)	-1.8%
Non-Revenue Act(2)	74,175	68,978	(5,197)	-7.0%
Liquor Sales/Liter	7,442	7,079	(362)	-4.9%
Cigarette	6,180	6,765	585	9.5%
Property (State School Levy)	7,741	5,151	(2,590)	-33.5%
Estate	5,623	5,634	11	0.2%
Real Estate Excise	36,918	35,696	(1,222)	-3.3%
Timber (state share)	2,502	3,951	1,449	57.9%
Other	7,770	4,703	(3,067)	-39.5%
Department of Licensing (2)	1,414	1,280	(134)	-9.5%
Lottery (2)	8,943	6,974	(1,969)	-22.0%
Total General Fund-State***	\$710,359	\$691,854	(\$18,505)	-2.6%
Cumulative Variance Since the June Forecast (June 11 - September 10, 2000)3				
Department of Revenue-Total	\$2,558,768	2,577,811	19,044	0.7%
Revenue Act** (3)	2,055,919	2,066,937	11,018	0.5%
Non-Revenue Act(4)	502,849	510,875	8,026	1.6%
Liquor Sales/Liter	21,475	21,272	(203)	-0.9%
Cigarette	17,809	18,854	1,045	5.9%
Property (State School Levy)	301,753	295,279	(6,474)	-2.1%
Estate	18,017	23,761	5,744	31.9%
Real Estate Excise	105,777	112,379	6,602	6.2%
Timber (state share)	2,502	3,951	1,449	NA
Other	35,517	35,379	(138)	-0.4%
Department of Licensing (4)	9,589	9,195	(394)	-4.1%
Lottery (4)	25,771	17,185	(8,586)	-33.3%
Total General Fund-State***	\$2,594,127	\$2,604,191	\$10,064	0.4%

1 Collections August 11 - September 10, 2000. Collections primarily reflect July 2000 activity of monthly taxpayers.

2 August 1-31, 2000 collections.

3 Cumulative collections, estimates and variance since the June forecast; (June 11-September 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June, July and August 2000) and revisions to history.)

* Based on the June 2000 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
August 10, 2000 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
July 11 - August 10, 2000				
Department of Revenue-Total	\$877,648	\$877,648	(\$0)	-0.0%
Revenue Act (1)	793,092	793,092	(0)	-0.0%
Non-Revenue Act(2)	84,556	84,556	(0)	-0.0%
Liquor Sales/Liter	7,214	7,214	(0)	-0.0%
Cigarette	5,943	5,943	0	0.0%
Property (State School Levy)	9,712	9,712	(0)	-0.0%
Estate	11,275	11,275	0	0.0%
Real Estate Excise	39,879	39,879	0	0.0%
Timber (state share)	0	0	0	NA
Other	10,532	10,532	0	0.0%
Department of Licensing (2)	2,212	2,562	350	15.8%
Lottery (2)	2,858	2,858	(0)	-0.0%
Total General Fund-State***	\$882,717	\$883,067	\$350	0.0%

Cumulative Variance: June 11 - July 10, 2000 & Revisions to History

Department of Revenue-Total	1,894,210	\$1,894,210	\$0	0.0%
Revenue Act (3)	1,452,314	1,452,314	(0)	-0.0%
Non-Revenue Act(4)	441,897	441,897	(0)	-0.0%
Liquor Sales/Liter	14,192	14,192	0	0.0%
Cigarette	12,089	12,089	(0)	-0.0%
Property (State School Levy)	290,128	290,128	0	0.0%
Estate	18,128	18,128	(0)	-0.0%
Real Estate Excise	76,683	76,683	0	0.0%
Timber (state share)	0	0	0	NA
Other	30,676	30,676	(0)	-0.0%
Department of Licensing (4)	7,066	7,915	849	12.0%
Lottery (4)	10,211	10,211	0	0.0%
Total General Fund-State***	1,911,487	\$1,912,337	\$850	0.0%

P-Preliminary. Reported in the August 10, 2000 collection report.

R Revised data.

1 Collections July 11 - August 10, 2000. Collections primarily reflect June 2000 business activity of monthly taxpayers and April-June activity of quarterly filers.

2 July 1-31, 2000 collections.

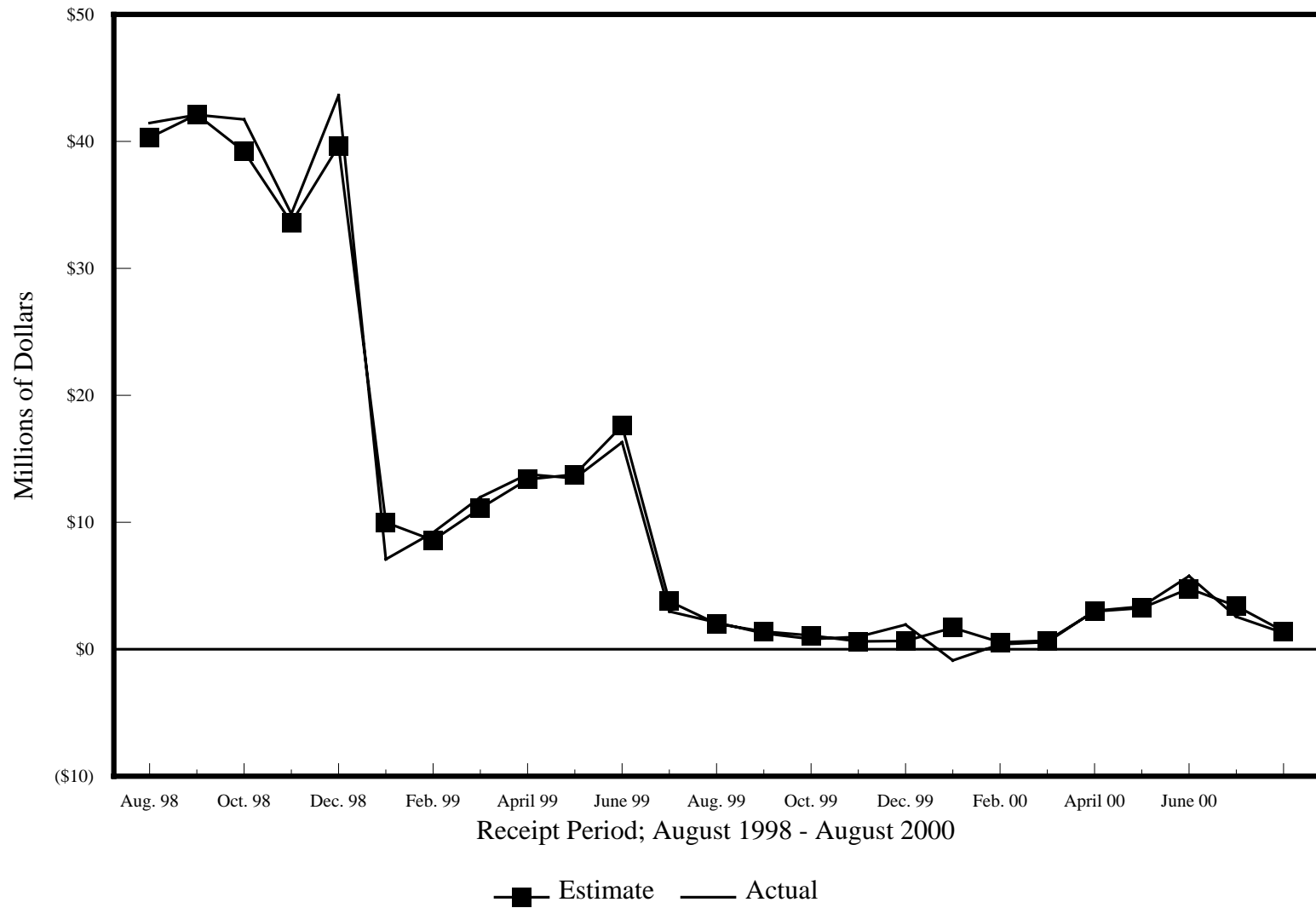
3 Cumulative variance for since the June forecast: June 11 - August 10, 2000 & revisions to history.

4 Cumulative variance: since the June forecast (June & July 2000) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

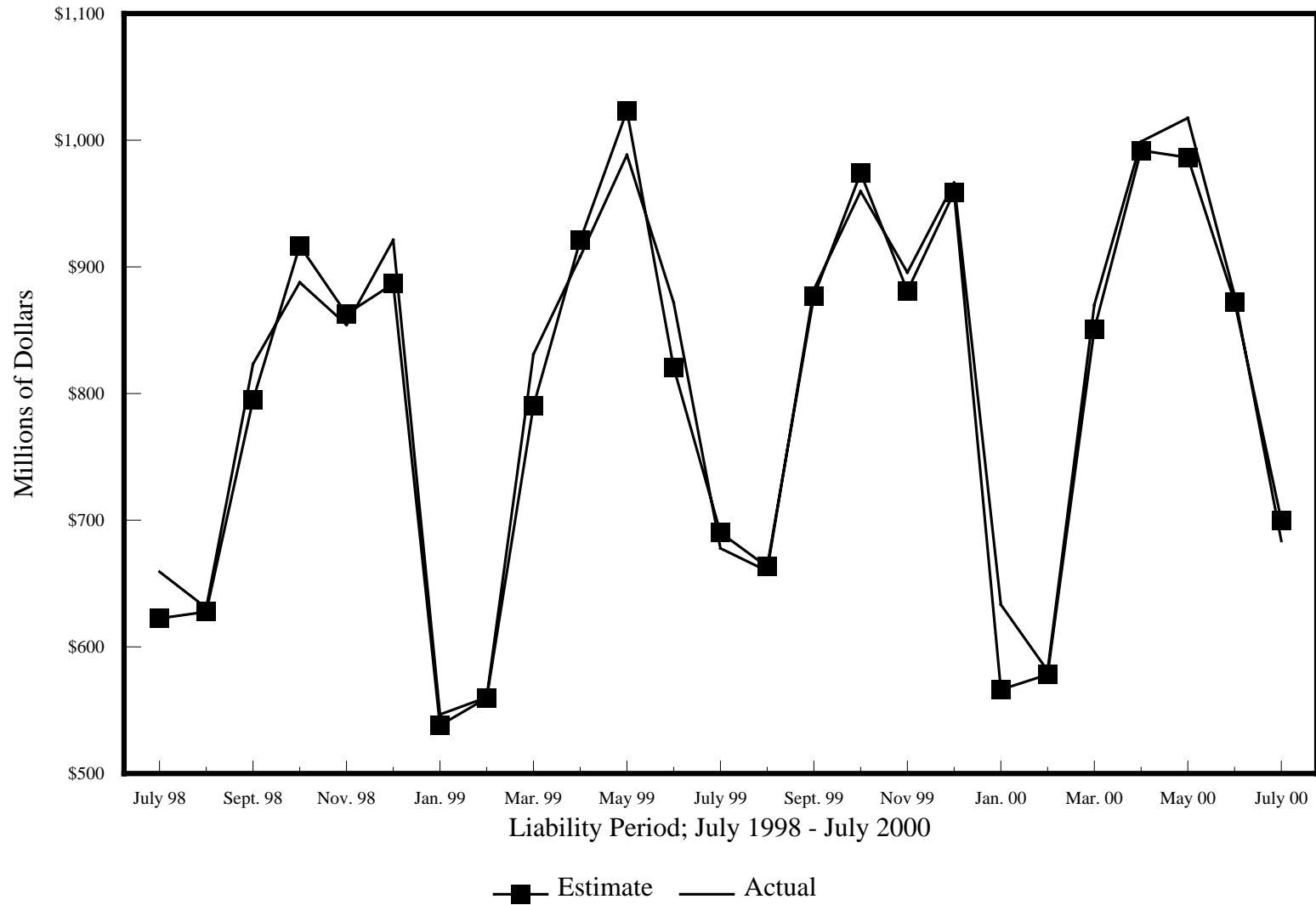
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to August 2000



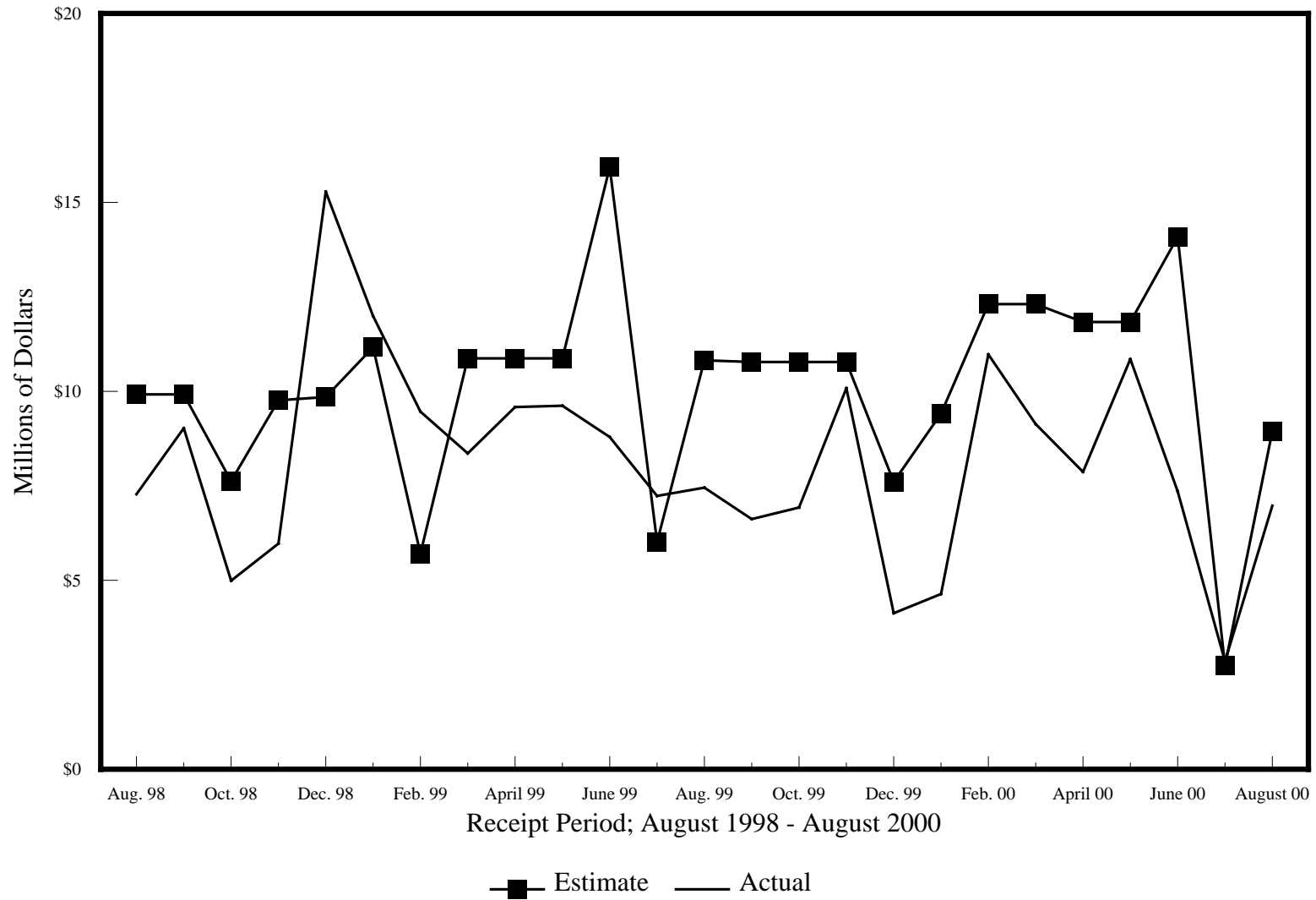
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to July 2000



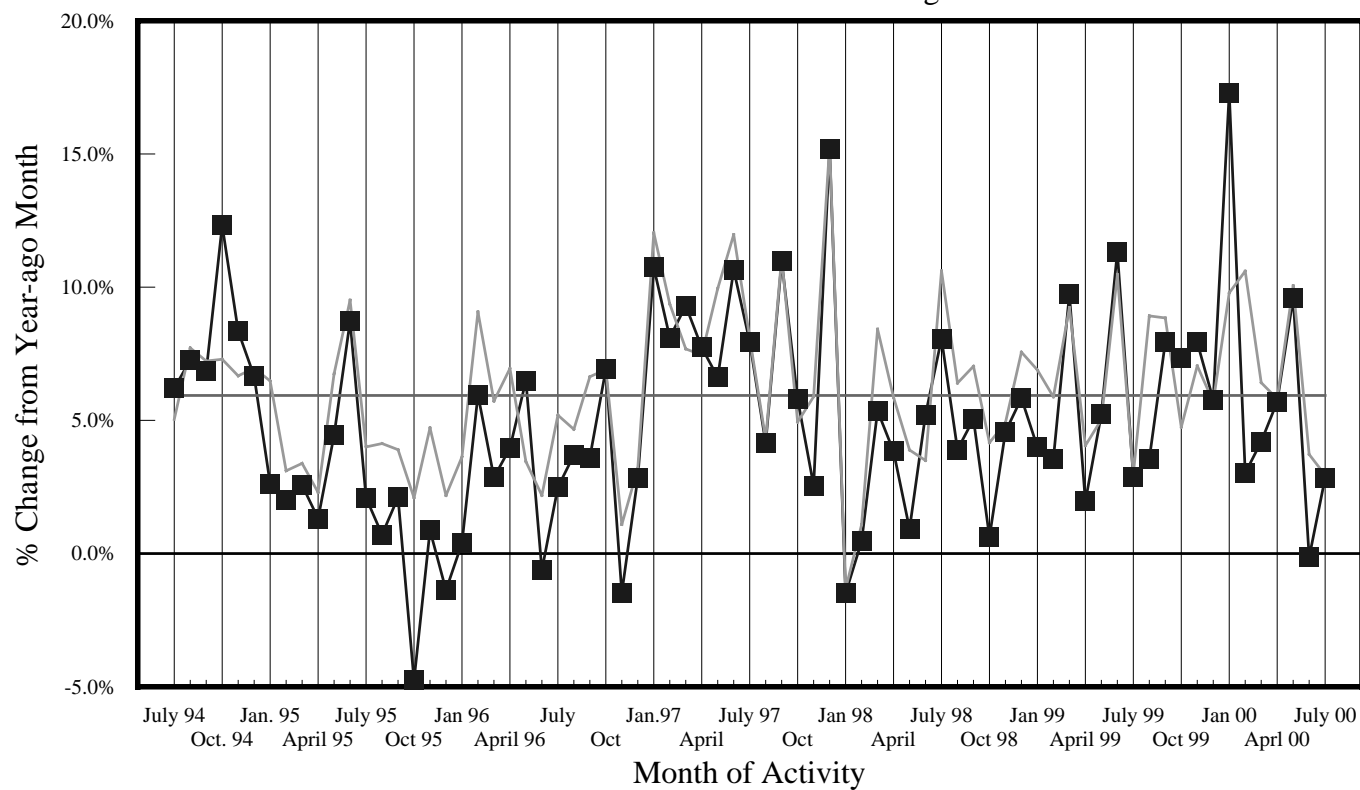
Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to August 2000



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj. for Legislation)

— % Change from year-ago, adjusted for large audits & legislation